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ERC-8826.

Major General Patrick W. Timberlake, USAF
Director of the Staff
Munitions Board
Washington 25, D. C.

Dear General Timberlake:

In reply to your letter of 1 February 1950, I may say that the bulk of the report in question appears, in general, to constitute a type of basic intelligence study which might properly be included in the NIS Program and should be so included if the report is to be revised and maintained on a continuing basis. Some of the material, such as data on U.S. requirements, is outside the field of intelligence.

The revision and maintenance of the report would impose a major task of research and rewriting. Since the capabilities of the intelligence agencies and those non-intelligence agencies which are engaged in intelligence work are already strained to the limit by the NIS and other commitments, these agencies, as currently constituted, would be unable to assume this additional responsibility.

Appropriate elements of the NIS, as they are published, would be available to save a certain amount of basic research for the revision of the report. In this connection, the report involves a number of countries for which NIS will probably not be scheduled for some time. This, however, would be the extent to which the NIS might be of assistance under current conditions.

It appears that determination by the National Security Council whether or not a study of this nature is, in fact, needed by the Government on a continuing basis is a necessary preliminary to further substantive action regarding this matter. Should such determination be in the affirmative, it would be feasible, provided that sufficient additional funds were made available, to incorporate the basic intelligence aspects of the study into the NIS Program by an arrangement analogous to that by which NIS Supplement No. V (Petroleum) has been already so incorporated.

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Of course, the intelligence agencies, in view of their existent capabilities, would be unable to assume, without prejudice to their current NIS and other commitments, any additional burdens that might tend to arise from such an arrangement.

Sincerely,

R. W. HILLENKOTTER
2003/07/10

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MUNITIONS BOARD
Washington 25, D.C.

MBXMA - 461

1 February 1950

Dear Admiral Hillenkoetter:

The inclosed copy of the letter of 29 December 1949 from Mr. Allan Evans, Director, Office of Intelligence Research, Department of State, is forwarded for your comments and recommendations. Mr. Evans proposes that the Munitions Board interim report "Vital Foreign Resources and Facilities Available to Support a United States Industrial Mobilization" be integrated into the National Intelligence Survey Program.

The basic material was compiled in response to a directive issued by the Secretary of Defense, 24 September 1948, to supply the needs of the Joint Chiefs of Staff. It was prepared to comply with NSC 29, 26 August 1948. Seven copies of this report were forwarded to your organization on 17 and 29 June 1949. The Munitions Board requested the Department of State to assist in the project under the appropriate provisions of NSC 29 and Mr. Allan Evans' letter was their reply.

25X1 [] of your staff was present at a joint meeting held early in September between the staff of the National Security Resources Board and the staff of the Munitions Board. He is familiar with the entire project and the problem proposed. A similar letter is being addressed to Dr. Steelman, Acting Chairman, National Security Resources Board.

Sincerely yours,

/s/ Patrick W. Timberlake

PATRICK W. TIMBERLAKE
Major General, U.S.A.F.
Director of the Staff

Incl. - 1

Ltr frm Mr. Evans

Rear Admiral R. H. Hillenkoetter
Director, Central Intelligence Agency
2430 E Street, N. W.
Washington 25, D. C.

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CONFIDENTIAL

The Honorable
The Secretary of the Interior
Department of the Interior
Washington 25, D. C.

Dear Mr. Secretary:

The receipt is acknowledged of your letter dated 20 January 1950 in which you request reconsideration of the decision to withdraw financial support at the end of Fiscal Year 1950 from the Department of the Interior for preparing NIS Subsections (2C (Petroleum)).

As you know, the NIS Program is an intelligence function in the field of foreign intelligence designed to assist in planning for the national defense and security. It is my duty under law, and by direction of the National Security Council, to allocate such functions.

When the Department of the Interior was requested, some two years ago, to assist in the preparation of the NIS contributions referred to above, there was in existence no government agency specifically charged with the production of foreign intelligence studies on petroleum. The foreign intelligence agencies of the Government (those of the Departments of State, Army, Navy, and Air Force) did not feel that their capabilities to produce this category of intelligence, while existent in some degree, were adequate to meet the requirements of the NIS.

It was thought necessary, therefore, to invoke the authority granted the Director of Central Intelligence by Intelligence Advisory Board Directive No. 1, 21 April 1947 (since incorporated in National Security Council Intelligence Directive No. 3, 13 January 1948) and seek the augmentation of intelligence agency capabilities by those of some non-intelligence agency. It appeared that the Bureau of Mines, by reason of its general activities in the field of petroleum, was, at that time, the best qualified non-intelligence agency to provide this augmentation. Accordingly, the responsibility for preparation of Subsections (2C (Petroleum)) was allocated to the intelligence agency of the Department of State "with the assistance of the Department of the Interior."

The situation was altered by the 3 May 1949 memorandum of the Secretary of Defense for the Chairman, Munitions Board, transferring the Armed Services Petroleum Board to the Munitions Board and

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reconstituting the former as the Munitions Board Petroleum Committee. The memorandum charges this Committee with the following specific functions, among others:

"Advise the Munitions Board with respect to foreign arms and related matters which concern petroleum;

"Prepare estimates of petroleum capabilities for war of foreign nations;

"Prepare such studies - - - in connection with petroleum matters as may be requested by the Secretary of Defense, the Joint Chiefs of Staff, the Munitions Board, the Research and Development Board, and the Secretaries of the Army, Navy, and Air Force;"

These functions are definitely of a foreign intelligence nature. Furthermore, the agency upon whose requirements the NIS Program is predicated is the Joint Chiefs of Staff. Hence, the intelligence agencies of the Government unanimously agreed that the newly established Munitions Board Petroleum Committee should logically assume responsibility for the preparation of petroleum intelligence for the NIS.

It is an agency of the Department of Defense and, as such, has unrestricted intercourse with the intelligence agencies of the Government. Its personnel are all cleared for the use of material of the highest security classification. In addition to having a staff of highly qualified petroleum specialists, it has access to the services of specialists available only to the Department of Defense.

The authority of your Department, set forth in documents inclosed with your letter of 20 January 1959, with regard to petroleum matters seems clear. A specific assignment of foreign petroleum intelligence functions, however, has not been noted. It appears, therefore, that your Department's primary concern is with domestic petroleum matters rather than with foreign petroleum intelligence. However, where your Department possesses capabilities within the field of its normal activities which will further this national intelligence effort, its assistance and cooperation will be greatly appreciated in the interest of avoiding undesirable duplication.

Under the circumstances, I cannot agree that withdrawal of financial support from the Bureau of Mines is an instance of administrative mismanagement or faulty coordination at the upper levels of policy making. The allocation of this NIS production responsibility to the Munitions Board Petroleum Committee is supported unanimously by the foreign intelligence agencies of the Government as necessary and proper

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in view of the intelligence functions of that Committee within the National Defense Organization. I regret, therefore, that after reconsideration of this matter I cannot continue beyond this fiscal year financial support of the petroleum intelligence program as currently functioning.

Sincerely,

R. B. HILLINGSTON
Rear Admiral, USN
Director of Central
Intelligence

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Rewritten by COAPS: PC/mhb

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Approved For Release 2003/07/10 : CIA-RDP80R01731R003400150005-8

Executive Registry
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UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SECRETARY
WASHINGTON 25, D. C.

JAN 20 1950

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My dear Admiral Hillenkoetter:

This is to acknowledge your letter of November 10 stating your plan to withdraw financial support from the Department of the Interior for that portion of the National Intelligence Survey Program related to Petroleum, Section 62C, Chapter VI, NIS.

It is my conviction that this Department is the best equipped agency of the government to carry out this assignment by virtue of its long record of recognized leadership in petroleum statistics, economic analysis, and research. Furthermore, considering the unique qualifications of Interior Department personnel, their comprehensive background of practical experience, their technological competence universally recognized throughout industry and the government, and a close working arrangement with industrial sources of information so important to this activity, it appears to me that this proposal would not be in the national interest. I question whether any technical group in the Federal service is better qualified to evaluate and analyze information pertaining to the field of petroleum or other fuels and minerals.

At the beginning of this intelligence project, prompt action was taken to augment the staff of the Petroleum Economics Branch of the Bureau of Mines, with the understanding that the work would continue for several years to completion. The staff is now organized to conform to your schedule of requirements and is completing reports for review on, or ahead of, the dates specified.

Undoubtedly you recognize that the Munitions Board would require a much larger staff to accomplish the identical task. The Bureau of Mines has been able to satisfy the assignment with a relatively small increase in personnel. This has been possible because the normal staff of the Bureau permits the direction of additional work without a change in approach or alteration of routine assignments. Thus, the character of the work, and the qualifications of people assigned to it, are so closely akin to the Bureau's regular activities that the logic of a single operating unit to accomplish both missions is compelling. In fact much of the basic work has already been done and would have to be duplicated by the Munitions Board.

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Reg. No number assigned.

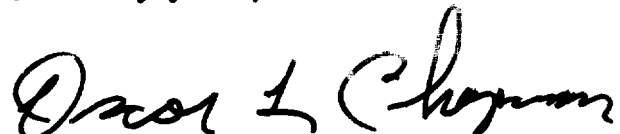
In view of the above, I emphatically disagree with the procedural change proposed in your letter of November 10, as a step in the direction of lessened efficiency.

From the standpoint of administration and management, such a step would constitute an undesirable precedent indicative of an adverse policy in interdepartmental relations. This would have a most disturbing psychological effect upon future cooperative actions. The government is justly criticised far too often for lack of efficient inter-agency coordination. The climate for such coordination is determined at the upper levels of policy making, and is, in my judgment, of fundamental concern to the Nation. Hence, the fostering of such a climate, in which cooperation between government agencies may flourish, is one of the most critical responsibilities of those who make policy decisions. This was emphatically pointed out in the Hoover report.

I urge, therefore, that this matter be reconsidered and that assurances be given of continuity in the petroleum program as currently functioning. This action would avoid another instance of unnecessary lost-motion in government, and would forecast "fair and warmer" for future, joint activities.

I am attaching copies of the pertinent documents relating to the authority of the Interior Department to act as the coordinating agency in the petroleum field, which is related to the current subject.

Sincerely yours,


Secretary of the Interior

Rear Admiral R. H. Hillenkoetter
Director of Central Intelligence
Central Intelligence Agency
2430 E Street, NW
Washington 25, D.C.

Enclosures 3

CONFIDENTIAL

- 2 -

Petroleum Administration. Mr. Davies possesses a broad experience in oil, and enjoys a high standing both within Government and within the petroleum industry. I believe that his participation would assure the full cooperation and support that is so essential in the initial phase.

I need not emphasize to you the importance of petroleum in the life of the Nation and the consequent necessity for assuring the adequate and continuous availability of this vital resource. You are requested to keep me informed concerning significant developments in the petroleum field, and to consider and recommend such steps as may be necessary appropriately to safeguard our petroleum future.

Copies of this letter are being sent to the Secretaries of State, War, Navy and Commerce, for their information and guidance. I am sure you will find them ready to cooperate fully.

Very sincerely yours,

/s/ Harry S. Truman

The Honorable

The Secretary of the Interior

EXECUTIVE ORDERNO. 9732

Executive Registry

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#2

RELATING TO THE ADMINISTRATION OF THE
ACT OF FEBRUARY 22, 1935, AS AMENDED

By virtue of the authority vested in me by the act of February 22, 1935, entitled "An Act to regulate interstate and foreign commerce in petroleum and its products by prohibiting the shipment in such commerce of petroleum and its products produced in violation of State law, and for other purposes," (49 Stat. 30), as amended, it is ordered as follows:

Executive Order No. 7756 of December 1, 1937, issued pursuant to the said act of February 22, 1935, is hereby amended by substituting the words "Oil and Gas Division" for the words "Petroleum Conservation Division" occurring in the order and in its title.

The regulations approved October 27, 1942, as amended, governing the administration and enforcement of the said act of February 22, 1935, as amended, are hereby amended by substituting the words "Oil and Gas Division" for the words "Petroleum Conservation Division" wherever the latter words appear in such regulations, as amended.

HARRY S. TRUMAN

THE WHITE HOUSE,

June 3, 1946.

130723

UNITED STATES
DEPARTMENT OF THE INTERIOR
Washington

Order No. 2193

May 6, 1946

Subject: Establishing an Oil and Gas Division.

Pursuant to the President's letter of May 3, 1946, to the Secretary of the Interior, there is hereby established in the Department of the Interior an Oil and Gas Division under the immediate charge of a Director.

The Oil and Gas Division with a view to the conservation of the oil and gas resources of the Nation and the achievement of petroleum security, shall:

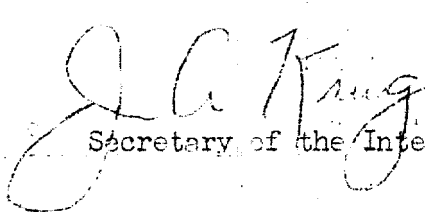
1. Assist the Secretary in the execution of the President's instructions to:
 - (a) Coordinate and unify policy and administration in respect to the functions and activities relative to oil and gas carried on by the several departments and agencies of the Federal Government;
 - (b) Serve as the channel of communication between the Federal Government and the petroleum industry;
 - (c) Serve as liaison agency of the Federal Government in its relations with the appropriate State oil and gas bodies; and
 - (d) Review technological developments in the field of petroleum and synthetic hydrocarbon fuels and coordinate Federal policy with respect thereto.
2. Obtain and analyze information as to oil and gas matters in which the Federal Government has a proper interest and, in this connection, serve as the central Federal clearing house for statistics, technical data, and other information relating to oil and gas.
3. Keep the Secretary informed with respect to the adequacy and availability of supplies of petroleum and its products to meet the current and future needs of the Nation, and with respect to significant developments in the petroleum field, and make recommendations with respect thereto.

4. Develop proposals looking to the centralization of Federal functions and activities relating to oil and gas in keeping with the President's letter.
5. Coordinate all oil and gas policies and activities in the Department of the Interior.

Pursuant to the Executive order of May 3, 1946, terminating the Petroleum Administration for War, the personnel, records, property and funds of the Administration are transferred to the Oil and Gas Division which Division shall proceed to wind up and liquidate the affairs of the Administration.

Upon the issuance of an Executive order amending Executive Order No. 7756, dated December 1, 1937, and the regulations and amendments, approved October 27, 1942, for the administration and enforcement of the act of February 22, 1935, as amended, to designate the Oil and Gas Division in lieu of the Petroleum Conservation Division, the Oil and Gas Division shall assume all the authority and duties of the Petroleum Conservation Division, funds, personnel, equipment and records of the Petroleum Conservation Division shall be transferred to the Oil and Gas Division, and the Petroleum Conservation Division shall cease to exist.

This Order shall be effective immediately.


Secretary of the Interior.



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DEPARTMENT OF THE INTERIOR

INFORMATION SERVICE

OFFICE OF THE SECRETARY

For Immediate Release MAY 6, 1946

Secretary of the Interior J. A. Krug today announced that, pursuant to the President's letter of May 3 requesting that the Secretary of the Interior undertake to unify and coordinate Federal policy and administration with respect to petroleum, an Oil and Gas Division was today established in the Department of the Interior. His announcement followed action by President Truman terminating the Petroleum Administration for War which the President said had successfully completed its war-time assignment.

"The new agency will implement the President's direction to assure continued coordination of the Federal Government's many interests in oil and gas," said Secretary Krug, "without in any way continuing war-time regulatory powers."

Mr. Ralph K. Davies, formerly Deputy Petroleum Administrator for War, has agreed to remain with the Government for a short period to provide executive direction for the new Division during its formative stages, the Secretary said. The Secretary pointed out that this would provide the Department with Mr. Davies' unique experience in relations between the Government and the petroleum industry. The appointment of a director for the Division will be announced at a later date.

Necessary activities in liquidation of the affairs of the Petroleum Administration for War will be performed by the new Division, which will also replace the present Petroleum Conservation Division of the Department.

"Petroleum is so important to the well-being and security of the Nation, that Government obviously has the most direct interest in safeguarding the petroleum future of the country and in making certain that adequate and continuous availability of this vital resource is assured."

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continued, "in keeping with the Administration's policy of discontinuing war agencies and their war-time powers as rapidly as their emergency responsibilities have been discharged, there clearly remains the need for a more effective Governmental organization as applied to oil than existed in years past."

Secretary Krug pointed out that petroleum problems had arisen during the re-conversion period, and he indicated that the new agency would give them immediate attention with a view to developing appropriate solutions in cooperation with other interested agencies and with the petroleum industry.

Secretary Krug expressed hearty agreement with the President's statement that he had "been impressed with the great contribution of government-industry cooperation to the success of the war petroleum program, and.....that the values of such close and harmonious relations between Government and industry should be continued."

He announced that, as suggested by the President, a National Petroleum Council of the petroleum industry would be established to advise and consult with him and with the Oil and Gas Division in the furtherance of the President's petroleum policy.

Principal functions of the new Oil and Gas Division will be to:

1. Assist the Secretary in the execution of the President's instructions to:
 - (a) Coordinate and unify policy and administration in respect to the functions and activities relative to oil and gas carried on by the several departments and agencies of the Federal Government;
 - (b) Serve as channel of communication between the Federal Government and the petroleum industry;
 - (c) Serve as liaison agency of the Federal Government in its relations with the appropriate State oil and gas bodies; and
 - (d) Review technological developments in the field of Petroleum and synthetic hydrocarbon fuels and coordinate Federal policy with respect thereto.

2. Approved For Release 2003/07/10 : CIA-RDP80R01731R003400150005-8
which the Federal Government has a proper interest and, in this connection, serve as the central Federal clearing house for statistics, technical data, and other information relating to oil and gas.
3. Keep the Secretary informed with respect to the adequacy and availability of supplies of petroleum and its products to meet the current and future needs of the Nation, and with respect to significant developments in the petroleum field, and make recommendations with respect thereto.
 4. Develop proposals looking to the centralization of Federal functions and activities relating to oil and gas in keeping with the President's letter.
 5. Coordinate all oil and gas policies and activities in the Department of the Interior.

Upon issuance of an executive Order designating this Division to replace the Petroleum Conservation Division, it will administer the provisions of the Connally "Hot Oil" Act.

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IMMEDIATE RELEASE

MAY 3, 1946

In keeping with the Administration's policy of winding up the affairs of war agencies as quickly as their wartime responsibilities have been discharged, the President has today signed an Executive Order terminating, effective May 8, 1946, the Petroleum Administration for War. In terminating the agency, the President stated that it had successfully completed its wartime program.

At the same time, the President has expressed to Secretary Krug, by letter, the wish that he undertake the initiative in obtaining the coordination and unification of Federal policy and administration in respect to functions and activities relating to petroleum.

Pointing to the success of Government-Industry cooperation in the war oil program, the President has further suggested to the Secretary that an industry committee be established to consult and advise with him.

Mr. Ralph K. Davies, the Deputy Petroleum Administrator for War, has been asked to remain for a short time to direct winding up of that office and to assist in launching these activities, thus affording the Government the benefit of his Government-Industry experience in oil.

The letter to the Secretary of the Interior follows:

My dear Mr. Secretary:

In keeping with the Administration's policy of winding up the affairs of war agencies as quickly as possible after their emergency responsibilities have been discharged, I have acted upon your recommendation to terminate, effective, May 8, the Petroleum Administration for War, which has so successfully completed its war-time assignment.

I am in agreement with your views that steps should now be taken to assure coordination in peace-time of the Federal Government's many interests in petroleum, petroleum products and associated hydrocarbons.

To the extent possible one agency must bear the primary responsibility for providing a focal point for leadership and information for the numerous agencies of the Federal Government dealing with petroleum. I, therefore, request that you undertake the initiative in obtaining coordination and unification of Federal policy and administration with respect to the functions and activities relating to petroleum carried on by the various departments and agencies. Where practicable and appropriate governmental activities relating to petroleum should be centralized and I ask that from time to time you submit to me for consideration proposals looking to the accomplishment of this objective.

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You should, through such office as you designate, serve as the channel of communication between the Federal Government and the petroleum industry, and as the liaison agency of the Federal Government in its relations with appropriate State bodies concerned with oil and gas. I have been impressed with the great contribution of government-industry cooperation to the success of the war petroleum program, and feel that the values of such close and harmonious relations between Government and industry should be continued. I, therefore, suggest that you establish an industry organization to consult and advise with you.

In this connection, I think it would be most helpful if Mr. Ralph K. Davies, Deputy Petroleum Administrator throughout the war, were to remain on for a brief period to assist in organizing and launching these activities and to supervise winding up the affairs of the Petroleum Administration. Mr. Davies possesses a broad experience in oil, and enjoys a high standing both within Government and within the petroleum industry. I believe that his participation would assure the full cooperation and support that is so essential in the initial phase.

I need not emphasize to you the importance of petroleum in the life of the Nation and the consequent necessity for assuring the adequate and continuous availability of this vital resource. You are requested to keep me informed concerning significant developments in the petroleum field, and to consider and recommend such steps as may be necessary appropriately to safeguard our petroleum future.

Copies of this letter are being sent to the Secretaries of State, War, Navy, and Commerce, for their information and guidance. I am sure you will find them ready to cooperate fully.

Very sincerely yours,

HARRY S. TRUMAN

IMMEDIATE RELEASE

MAY 3, 1946

EXECUTIVE ORDER

NO. 9718

TERMINATION OF THE PETROLEUM
ADMINISTRATION FOR WAR

By virtue of the authority vested in me by the Constitution and statutes, including Title I of the First War Powers Act, 1941, and as President of the United States, it is hereby ordered as follows:

The Petroleum Administration for War, established by Executive Order No. 9276 of December 2, 1942, together with the offices of Petroleum Administrator and Deputy Petroleum Administrator, is terminated. The Secretary of the Interior, acting through such agency or agencies of the Department of the Interior as he shall designate, is authorized and directed to wind up the affairs of the Administration, and to utilize therefor so much of the personnel, records, property, and funds of the Administration as may be necessary.

All provisions of prior Executive orders which are in conflict with this order are amended accordingly.

This order shall be effective as of the close of business May 8, 1946.

HARRY S. TRUMAN

THE WHITE HOUSE,

May 3, 1946.

CONFIDENTIAL

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#3

**EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL SECURITY RESOURCES BOARD
WASHINGTON 25, D. C.**

OFFICE OF THE CHAIRMAN

NOV 7 1949

**The Honorable J. A. Krug
Secretary of the Interior
Washington, D. C.**

My dear Mr. Secretary:

In a letter dated September 2, 1949, the Secretary of Defense recommended that I arrange a meeting with the Secretaries of State, Defense and Interior to discuss the necessity of a National Petroleum Program.

In view of the progress being made in developing a program, and your existing responsibility for taking the leadership in obtaining coordination and unification of Federal policy and administration with respect to activities and functions carried on by the various departments and agencies, as set forth in the President's letter to you of May 3, 1946, such a meeting appropriately should be arranged by you. I have so advised the Secretary of Defense, and a copy of my letter to him of this date is attached for your information.

I shall be pleased, of course, to participate in your meeting if you deem it to be desirable.

Sincerely yours,

JOHN R. STEELMAN

Attachment

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**EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL SECURITY RESOURCES BOARD**

WASHINGTON 25, D. C.

NOV 1 1949

OFFICE OF THE CHAIRMAN

**The Honorable Louis A. Johnson
Secretary of Defense
Washington, D. C.**

My dear Mr. Secretary:

Reference is made to your letter of September 2, 1948, in which you recommended that I arrange with the Secretaries of State and Interior for a meeting at which we could discuss the necessity of a National Petroleum Program. ? 9

I am of the opinion that under existing instructions from the President such a meeting should appropriately be called by the Secretary of the Interior. I refer to the President's letter of May 3, 1946 to Secretary Krug, a copy of which is attached for your current information, in which the Secretary of the Interior is requested to "undertake the initiative in obtaining coordination and unification of Federal policy and administration with respect to the functions and activities relating to petroleum carried on by the various departments and agencies." Copies of the President's letter were forwarded, on May 3, 1946, to the Secretaries of War, the Navy, Commerce and State. A copy of a reply from Secretary of War Patterson, dated May 8, 1946, is also attached for your information.

I have discussed your suggestion with Secretary Krug and he has indicated to me that he would be willing and anxious to hold, under his auspices, such a meeting. In this connection I believe it would be helpful if you would communicate to Secretary Krug the points you set forth in your letter to me of September 2, 1948, in addition to any other considerations that you feel he should have before him in arranging the proposed meeting.

I am sure that you are familiar with the special committee established as the Military Petroleum Advisory Committee on March 29, 1947, which was succeeded by the Military Petroleum Advisory Board by Secretary Krug's order of October 7, 1948, established specifically by the Secretary of the Interior to go into the type of questions raised by your letter of September 2. This committee has been actively engaged in determining the factors involved in providing a specific program. You also may be inter-

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acted in checking the minutes of the HPAB meeting held on April 22, 1949 at which the question of the sufficiency of Western Hemisphere reserves was discussed.

In view of the continuing importance to national security of a coordinated Government petroleum policy and program, it is my hope that, at Secretary Krug's meeting we will be able to establish positive arrangements for providing Secretary Krug with our views on a continuing basis, in order to facilitate this important coordination task for which the Secretary of the Interior has been requested to assume leadership.

Sincerely,

JOHN R. STEELMAN

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NOV 8 - 1949

**BUREAU OF MINES
OFFICE OF DIRECTOR**

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*Ref: O-5-512, 95-961,
0-6893, 0-7395*

16 January 1950

MEMORANDUM FOR: DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT : Withdrawal from Bureau of Mines, Department of the Interior, of CIA Financial Support for Preparation of Subsections 62C (Petroleum), NIS, during FY 1951.

- REFERENCES :
- (a) Memorandum of Chief, Basic Intelligence Group, ORE, (through AD/ORE to DCI, 24 June 1949, Subject: Petroleum Supplement to NIS.
 - (b) Memorandum, AD/ORE to DCI, 20 July 1949, Subject: Petroleum Intelligence for the NIS Program.
 - (c) Memorandum from the DCI to the Chairman, Munitions Board, 16 August 1949, Subject: Petroleum Intelligence Production for National Intelligence Surveys.
 - (d) Memorandum, Director of the Staff, Munitions Board, to DCI, 10 October 1949, Subject: Petroleum Intelligence Production for NIS.
 - (e) Letter, DCI, to the Secretary of the Interior, 10 November 1949, notifying the latter of discontinuance of CIA financial support for preparation of NIS Subsections 62C (Petroleum) beginning 1 July 1950.

1. The following paragraphs are intended to constitute an aide memoire for possible use in connection with a coming conversation between the Assistant Secretary of the Interior and the Director of Central Intelligence.

2. Reference (a) sets forth the conclusion of the NIS Committee that the legitimate needs of government agencies for petroleum intelligence require the addition of a Petroleum Supplement to the NIS Program. It recommends (1) that the Munitions Board Petroleum Committee, because of its mission and special qualifications, be requested to prepare both NIS Subsection 62C (Petroleum) and

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NIS Supplement V (Petroleum); (2) that support not be withdrawn from the Bureau of Mines for the preparation of NIS Subsections 62C until such time as the Petroleum Committee shall have begun actual production thereof; and that the DCI take up the matter with the IAC with a view to securing concurrence of the latter in concluding necessary arrangements with the MBPC.

3. Reference (b) lays the matter before the IAC.

4. Reference (c) requests that the MBPC give consideration to undertaking preparation of NIS Subsections 62C (Petroleum) and Supplements V (Petroleum).

5. Reference (d) indicates the willingness of the MBPC to undertake the proposed assignment provided funds are made available to provide sufficient additional personnel.

6. Reference (e) notifies the Secretary of the Interior that, because of the responsibilities of the MBPC, constituted on 2 June 1949, it has become necessary to reallocate to this Committee the responsibility currently borne by the Bureau of Mines to produce NIS Subsections 62C (Petroleum); that the reallocation affects neither the responsibilities of the Bureau of Mines to produce Subsections 62C nor the continuance of CIA financial support to that Bureau during the remainder of FY 1950; and that any assistance which Bureau of Mines can extend to MBPC will be greatly appreciated by CIA; and that the Intelligence Agencies commend Bureau of Mines for its fulfillment of NIS requirements.

7. As a result of the proceedings outlined above, the sum of \$25,000 was made available to the MBPC for the remainder of FY 1950 to enable that Committee to begin actual production of NIS petroleum intelligence by the beginning of FY 1951. At this time, the MBPC has established in its Plans Division a Survey Section to undertake production of NIS petroleum intelligence. This Section is currently engaged in revising requirements for NIS Subsection 62C (Petroleum), formulating requirements for NIS Supplement V (Petroleum), and determining a tentative list of NIS which will require Supplement V.



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